

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 16-013

Organization: Chicago Mercantile Exchange Inc. ("CME")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): January 7, 2016 Filing Description: Removal of Membership Equivalent Deposit Requirement for OTC, IRS and CDS Clearing Members

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers: CME Rules 8F004, 8G802.A.2, 8H04, 8G802.A.2

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

Official Product Name:

Product Terms and Conditions (product related Rules and Rule Amendments)

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected:

Rule Numbers:

January 7, 2016

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

RE: CFTC Regulation 40.6(a) Certification. Removal of Membership Equivalent Deposit Requirement for OTC, IRS and CDS Clearing Members. CME Submission No. 16-013

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME”), a registered derivatives clearing organization (“DCO”) under the Commodity Exchange Act, as amended (“CEA” or “Act”), pursuant to Commission Regulation 40.6(a) hereby submits to the Commodity Futures Trading Commission (“CFTC” or “Commission”) a proposal to remove the \$5 million membership equivalent deposit requirement (the “Membership Equivalent Deposit”) for OTC, IRS and CDS Clearing Members that are not otherwise a CME, CBOT, NYMEX or COMEX Clearing Member. This submission shall become effective on Monday, January 25, 2016.

CME periodically reviews its requirements for clearing membership and has determined that it is appropriate to remove the Membership Equivalent Deposit at this time. The Membership Equivalent Deposit was adopted at the time of clearing of over-the-counter transactions to equate to the legacy exchange membership and share assignment requirements for futures and options on futures clearing members then in place as memberships are a core requirement of our futures and options on futures clearing membership, including the provision for reduced fees. Membership requirements are not a core component of OTC, IRS and CDS clearing membership and have no impact on OTC trading fees. CME’s risk management protections and financial safeguards for OTC, IRS and CDS products do not utilize the Membership Equivalent Deposit in any of the risk management computations. The deposit is not used in the calculation or satisfaction of performance bond or guaranty fund requirements. As CME’s required financial resources will not be impacted, we deem it appropriate to remove this legacy requirement.

The change could also encourage more entities to apply for clearing membership which would further diversification and provide additional liquidity to the default management process. No other changes to clearing membership requirements are being proposed.

The proposed change will not affect the overall size of the relevant margin requirements, guaranty funds, or assessments.

Core Principle Review

CME reviewed the derivatives clearing organization core principles (“Core Principles”) as set forth in the Act and identified the following Core Principles as potentially being impacted:

- **Core Principle C – Participant and Product Eligibility Procedures.** CME has determined that a removal of the Membership Equivalent Deposit is appropriate as it is not being used for required risk management or financial resource requirements and, while available in the event of a default of the

depositing clearing member, its removal will not have a material impact on risk to CME as the overall financial resources (i.e., performance bond requirements and guaranty funds) have been sized without regard to the Membership Equivalent Deposit.

- Core Principle B – Financial Resources. No change is being made to overall financial resources except the removal of the Membership Equivalent Deposit. The change will only remove the extra deposit of OTC, IRS and CDS Clearing Members that are not otherwise a CME, CBOT, NYMEX or COMEX Clearing Member.
- Core Principle L – Public Information. The proposed rule changes will be added to the publicly available CME Rulebook available on the CME Group website.

Exhibit A, which is attached hereto, sets forth the applicable amendments to the Rules in blackline format.

CME certifies that these changes comply with the Act and regulations thereunder. There were no substantive opposing views to this action.

CME certifies that this submission has been concurrently posted on the CME Group website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this submission, please contact me at 212-299-2200 or via e-mail at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A – CME Rulebook Amendments (blackline format)

Exhibit A

CME Rulebook

(additions underlined; deletions ~~overstruck~~)

Chapter 8F Over-the-Counter Derivative Clearing

8F004. OTC CLEARING MEMBER OBLIGATIONS AND QUALIFICATIONS

~~7. An OTC Clearing Member that is not also a CME, CBOT, NYMEX or COMEX Clearing Member shall maintain a membership-equivalent deposit with CME of at least \$5 million in cash or collateral, which shall be valued in the sole discretion of the Clearing House, to assure performance of all obligations arising out of OTC Derivatives submitted by it to the Clearing House. [Reserved]~~

Chapter 8G Interest Rate Derivative Clearing

8G802. PROTECTION OF CLEARING HOUSE

8G802.A. Default by IRS Clearing Member

....2. Application of Defaulted IRS Clearing Member's Collateral; Rights and Obligations of Clearing House

Upon the default of an IRS Clearing Member, all assets of such IRS Clearing Member that are available to the Clearing House, including without limitation IRS Guaranty Fund deposits including any excess amounts, IRS Assessments, performance bond amounts for IRS Contracts including any excess amounts, any partial payment amounts or settlement variation gains in respect of IRS Contracts, ~~membership requirements relating to IRS Contracts pursuant to 8F04.7,~~ excess performance bond or guaranty fund deposits of the IRS Clearing Member for non-IRS Products, and any other amounts on deposit with the Clearing House for IRS Contracts but excluding amounts carried in any customer account class (collectively, the "IRS Collateral") shall be applied by the Clearing House to discharge any loss to the Clearing House associated with such default (an "IRS Loss") in accordance with and subject to this Rule 8G802. An IRS Loss shall include, but shall not be limited to, costs associated with the liquidation, transfer and managing of IRS Contracts of the defaulted IRS Clearing Member, hedging costs and other costs incurred by the Clearing House related to managing the risk surrounding the default of the IRS Clearing Member....

Chapter 8H Credit Default Swaps Clearing

8H04. CDS CLEARING MEMBER OBLIGATIONS AND QUALIFICATIONS

~~5. A CDS Clearing Member that is not also a CME, CBOT, NYMEX or COMEX Clearing Member shall maintain a membership-equivalent deposit with the Clearing House of at least \$5 million in cash or collateral, which shall be valued in the sole discretion of the Clearing House, to assure performance of~~

~~all obligations arising out of CDS Products submitted by it to the Clearing House. Such deposit shall be used only for the purposes described in these Rules. [Reserved]~~

8H802. PROTECTION OF CLEARING HOUSE

8H802.A. Default by CDS Clearing Member

....2. Application of Defaulted CDS Clearing Member's Collateral and CDS Customer Collateral; Rights and Obligations of Clearing House

Upon the default of a CDS Clearing Member, all assets of such defaulting CDS Clearing Member that are available to the Clearing House, including without limitation CDS Guaranty Fund deposits including any excess amounts, performance bond amounts for CDS Contracts including any excess amounts, any partial payment amounts or settlement variation gains in respect of CDS Contracts, ~~membership requirements relating to CDS Contracts pursuant to 8H04.5,~~ excess performance bond or guaranty fund deposits of the CDS Clearing Member for non-CDS Products, and any other amounts on deposit with the Clearing House for CDS Contracts but excluding amounts carried in any customer account class (collectively, the "CDS Collateral") shall be available to the Clearing House to discharge any loss to the Clearing House associated with such default (a "CDS Loss") in accordance with and subject to this Rule 8H802. A CDS Loss shall include, but shall not be limited to, costs associated with the liquidation, transfer and managing of CDS Contracts of the defaulted CDS Clearing Member, hedging costs and other costs incurred by the Clearing House related to managing the risk surrounding the default of the CDS Clearing Member....